

## REQUEST FOR COUNCIL ACTION

**SUBJECT:** Identify purchase method for City phone system. (During the FY2014-15 budget, the Council approved the purchase of a new phone system to replace the current system, which has outlived its current lifespan.)

**SUMMARY:** Direct staff as to the desired purchase method for the phone system.

**FISCAL  
IMPACT:**

**OPTION 1 (cash)**

If we pay cash for the system, the fiscal impact would be \$197,620.00 for equipment and services. This option requires a budget amendment within the Phone System Replacement project (IT Systems – 425270 Server Replacement fund) in the amount of \$137,620.00. The fund currently has \$60,000.00 that Council approved during the FY2014-15 budget.

**OPTION 2 (\*Capital Lease)**

We could also finance the phone system at an interest rate of 1.95% over four years and a one-time processing fee of \$500.00. The phone system cost of \$197,620.00, which covers equipment and services, has been approved by Council during the FY 2014-15 budget. Council approved \$60,000.00 per year over the next 5 years, within the Phone System Replacement project – IT Systems – 425270 Server Replacement fund.

\*Bank of the West has submitted an equipment capital lease proposal, which is considered a capital lease intended for security purposes only. At the end of the capital lease term, the City will own all the phone equipment.

**STAFF RECOMMENDATION:**

Staff recommends adoption of **OPTION 1** to avoid paying interest.

**MOTION RECOMMENDED:**

“I move to direct staff to move forward with OPTION 1 to pay cash for the phone system.”

“I move to direct staff to move forward with OPTION 2 to capital lease the phone system for 48 months. At the end of the term, the City will own all the phone equipment.”

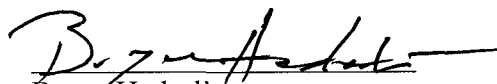
Roll Call vote required

**Prepared by:**



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**Recommended by:**



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Interim City Manager

## **BACKGROUND DISCUSSION:**

During the FY2014-15 budget process, IT proposed replacing the current outdated phone system, which has become increasingly difficult to maintain. The current phone system has components that are more than 14 years old and the main core system is over 9 years old. The current model of handsets that the City use is no longer available new; only refurbished units can be purchased.

The City Council approved the purchase of a modernized phone system during the budget process. The new system will improve customer service by providing a unified communications platform that fully integrates with our Exchange email system, phone extensions, mobile phones, and staff PCs.

The Council approved \$60,000.00 per year for the next 5 years to implement the Phone System Replacement project. City Council can choose from different funding options available to implement the system.